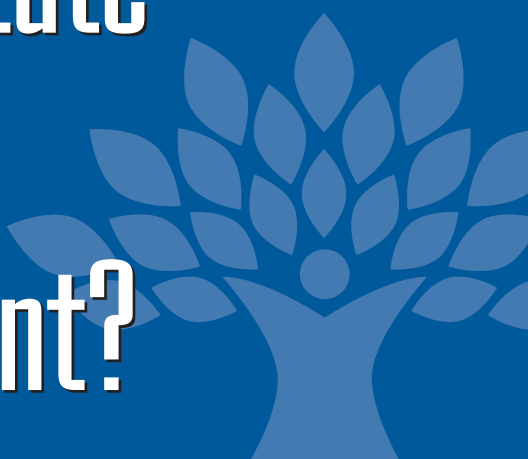


# Leaving State or County Employment?



## Contributory Plan



Employees' Retirement System  
of the State of Hawaii

# Frequently asked retirement questions for those leaving State or County employment

## *Contributory Plan*

### 1. How do I know what retirement plan I am enrolled in?

The Employees' Retirement System (ERS) is comprised of three retirement plans: Contributory, Hybrid, and Noncontributory. Your occupation and the date you became an ERS member determined what plan you are enrolled in.

Contributory and Hybrid Plan members are required by law to have retirement contributions deducted from their monthly gross salary, while Noncontributory Plan members are not.

If you are a Contributory Plan member, your pay statement will show a retirement contribution deduction of either 7.8% (most employees) or 12.2% (police officers; firefighters; and certain investigators, water safety officers, and adult corrections officers).

If you contribute 12.2% of your monthly gross salary to the ERS, you should refer to Leaving State or County Employment (*for Police Officers, Firefighters and Certain Public Safety Officers*) for benefit information.

### 2. What are the minimum requirements for service retirement?

- If you have at least 5 years of credited service, you can retire at age 55 with full benefits.
- If you have at least 25 years of credited service, you can retire before age 55 with a reduced benefit. There is a 5% reduction for each year below age 55 to age 50; 4% for each year from age 45 to age 49; 3% for each year from age 40 to age 44; and 2% for each year below age 40.
- If you have at least 25 years of credited service as a sewer worker or an emergency medical technician **AND** your last five years of credited service prior to retirement are in any of these occupations, you can retire before age 55 with full benefits.
- Judges, elected officers and legislative officers should refer to their respective plan brochure (Your Employees' Retirement System) for retirement eligibility information.

In addition, you must retire on the 1st day of a month (except for December, during which you can retire either on the 1st or 31st). Your "close of business" (COB) date must be before your retirement date.

Please contact an ERS office if you are eligible to retire. We must receive your retirement application at least 30 days before your retirement date. We can accept your retirement application up to 150 days before your retirement date.

### 3. Am I entitled to any retirement benefits when I leave my job?

If you have 5 or more years of credited service:

- You have “vested benefit status” and WILL BE eligible for a retirement benefit when you meet the age requirement. Refer to Question #2 to determine when you can retire. You may contact an ERS office to request a retirement estimate 6 months before you want to retire.
- If you leave your contributions with the ERS and return to a State or County job covered by ERS before you retire, you will return as a vested Contributory Plan member and will continue to earn retirement service credit.
- If you receive a refund of your contributions and interest after you leave your job, you will lose (forfeit) all of your credited service and you will NOT be eligible for a retirement benefit. If you later return to a State or County job covered by ERS, you will be enrolled in the **Hybrid Plan** unless you are required by law to join the Contributory Plan based on your occupation (police officer, firefighter, elected officer, judge, etc.).
  - o Under the Hybrid Plan, you will “earn back” at no cost one month of forfeited service for each credited month of re-employment. The service that you “earn back” will be credited as Noncontributory service.
  - o If you are required to join the Contributory Plan, you can “buy back” your refunded Contributory service.

If you have less than 5 years of credited service:

- You are NOT eligible for a retirement benefit. You will lose (forfeit) all of your credited service if you receive a refund of your contributions and interest after you leave your job or if you do not return to a State or County job covered by ERS within 4 calendar years after the year you leave employment.
- If you do not receive a refund of your contributions AND you return to a State or County job covered by ERS within 4 calendar years after the year you leave employment, you will retain all of your service credits. Upon your return to work, you will be enrolled in the **Hybrid Plan** unless you are required by law to join the Contributory Plan.
  - o Under the Hybrid Plan, all of your past service will be converted to Noncontributory service. If your Contributory Plan contributions are not refunded when you return to work, your contributions including interest will be held in a separate ERS retirement account until you terminate or retire.
  - o If you are required to join the Contributory Plan, you will retain your Contributory service and your Contributory Plan contributions and interest will remain in your account.

*Continued on next page*

- If you return to a State or County job covered by ERS after your service has been forfeited, you will be enrolled in the **Hybrid Plan** unless you are required by law to join the Contributory Plan. If your Contributory Plan contributions are not refunded before or upon your return to work, your contributions including interest will be held in a separate ERS retirement account until you terminate or retire.
  - o Under the Hybrid Plan, you will “earn back” at no cost one month of forfeited service for each credited month of re-employment. The service that you “earn back” will be credited as Noncontributory service.
  - o If you are required to join the Contributory Plan, you can “buy back” your forfeited Contributory service.
- If you do not return to a State or County job covered by ERS, your contributions will be held in an ERS retirement account until you request a refund or you reach age 62.

If you move from one State or County job covered by ERS to another without a working day break in service, you will continue your membership in the Contributory Plan. Be sure to inform your new personnel office of your transfer.

Your personnel office will also be able to tell you if your new job is covered by ERS.

## 4. What is credited service?

Credited service is the length of time you work for the State or County while a member of the ERS. It includes regular membership service and authorized leaves such as industrial injury, sabbatical, educational, and professional improvement for which contributions, if required, are made. If you are employed for 15 or more calendar days in any month (14 calendar days in February), you will receive one month of service credit. Mandatory unpaid maternity leave prior to July 1, 1973, previous service and active military duty may also be acquired for additional service credit.

You should file your claim with the ERS for any additional service you wish to acquire before you leave your State or County job. If you fail to file your claim before you leave your State or County job, check with the ERS immediately to find out if you are still eligible to claim the additional service.

## 5. How will my monthly pension be computed?

*Formula for General Employees:*

$2\% \times \text{Years of Service} \times \text{Average Monthly Salary}^*$

*\*Average Monthly Salary is the monthly salary based on your “average final compensation” (AFC). Your AFC is the average of your earnings for your three highest paid years of credited service (or for some members five highest paid years, see Question #9) as a State or County employee.*

*Example: 2% X 30 years X \$3,000 = \$1,800/month (Maximum Allowance)*

This is an example of a monthly pension benefit payable under the Maximum Allowance option. Other retirement options are available to meet a range of retirement needs and goals.

Judges, elected officers and legislative officers should refer to their respective plan brochure (Your Employees' Retirement System) for benefit calculation information.

## 6. How will my monthly pension be computed if I take early retirement?

As noted in Question #2, you can retire with a reduced benefit before age 55 if you have at least 25 years of credited service. Your pension will be reduced by 5% for each year below age 55 to age 50; 4% for each year from age 45 to age 49; 3% for each year from age 40 to age 44; and 2% for each year below age 40.

*Example: Member retiring at age 50 with 25 years of service*

Benefit formula: 2% X 25 years X \$3,000 = \$1,500/month

Less reduction for age: 5 years X 5% = 25% X \$1,500 = - \$ 375

Early retirement benefit (Maximum Allowance) = \$1,125/month

## 7. How will my monthly pension be computed if I have mixed service?

*Formula for General Employees:*

2% X Years of Contributory Service X Average Monthly Salary  
plus

1¼% X Years of Noncontributory Service X Average Monthly Salary

*Example:* Jim has 4 years of Contributory Plan service and 8 years of Noncontributory Plan service. When he reaches his 55th birthday, he can retire with a monthly pension payable under the Maximum Allowance option as shown below:

Benefit	X	Years of Service	X	Average Monthly Salary	=	Monthly Pension
2% (Contributory)	X	4 years	X	\$3,000	=	\$240
1¼% (Noncontributory)	X	8 years	X	\$3,000	=	\$300
MAXIMUM ALLOWANCE					=	\$540

## 8. What will happen to my unused sick leave?

Unused sick leave will be used to increase your retirement benefit if you have at least 60 days of unused sick leave and you leave government service in good standing. However, unused sick leave cannot be used to meet the minimum retirement eligibility requirements. Every 20 days of unused sick leave is equal to one month of service credit. Your personnel/payroll office will determine your unused sick leave balance.

$60 \text{ days} \div 20 \text{ days} = 3 \text{ months of additional service credit}$

$240 \text{ days} \div 20 \text{ days} = 12 \text{ months (1 year)}$

$70 \text{ days} \div 20 \text{ days} = 4 \text{ months (rounded from 3.5 months)}$

*Example:* Wes has 4 years and 9 months of credited service and 3 months of unused sick leave. The 3 months of unused sick leave cannot be used to meet the 5-year minimum service requirement.

If Wes has at least 5 years of credited service when he retires, the 3 months of unused sick leave will be used to increase his credited service for the purpose of calculating his monthly retirement benefit.

## 9. What about my lump sum vacation payment?

Your lump sum vacation payment is determined by your personnel/payroll office. It will not increase your retirement service credits. If you were hired prior to January 1, 1971, your AFC will be the average of your five highest years of earnings including your lump sum vacation pay, or your three highest years of earnings, whichever is greater. If you were hired after December 31, 1970, your highest three years of earnings will be used in the calculation of your AFC; your lump sum vacation payment will not be included.

## 10. What taxes do I have to pay if I take a refund of my contributions?

- Federal income taxes are due on the taxable portion of your refund payment. If you are below age 55 (age 50 for emergency medical technicians), an additional 10% tax on the taxable portion of your refund must be paid to the Internal Revenue Service. However, you can defer these taxes by rolling over the taxable portion of your refund into an IRA.
  - o Direct Rollover: ERS will deposit the taxable portion of your refund directly into your IRA and pay you your nontaxable contributions. The ERS is not able to rollover the nontaxable portion of your refund. If you select this method of payment, no federal income taxes will be withheld.



o Sixty-Day Rollover: ERS will withhold at least 20% of the taxable portion of your refund and pay you the remaining balance. Under this option, you must rollover all or part of the taxable portion of your contributions into an IRA within 60 days of receipt of your payment.

- Your refund payment is not subject to State of Hawaii income tax.

You should consult a financial advisor or tax specialist regarding the rollover of the taxable as well as the nontaxable portion of your refund.

## 11. Are death benefits payable after I leave my job?

Your designated beneficiary(ies) will receive the total amount of your retirement contributions, including interest.

## 12. What if I come back to work after I retire?

In most cases, if you are an ERS retiree who returns to work in a position covered by ERS, you will be re-enrolled in the same retirement plan from which you retired and your pension will be suspended until your next retirement. You will earn additional service credits and a separate retirement benefit will be calculated for your re-employment period. When you again retire, you will receive an allowance for your re-employment period in addition to your previous pension.

You can continue to receive your ERS pension and retiree health benefits:

- Under certain circumstances, if you return to a position not covered by ERS; or
- If you return to work under the provisions of Act 156/SLH 2008.

Your personnel office will be able to tell you if your new job will be covered by ERS.

**Additional Questions?** Call or write to us at the Oahu office listed on the back cover or any of the following other ERS locations listed below. You can also check our website at [www4.hawaii.gov/ers](http://www4.hawaii.gov/ers) for additional information.

### **Hawaii**

101 Aupuni Street, Room 208  
Hilo, Hawaii 96720  
Phone: 974-4076, 974-4077  
Fax: 974-4078  
Toll-free to Oahu: 974-4000, ext.61735

### **Kauai**

3060 Eiwa Street, Room 302  
Lihue, Hawaii 96766  
Phone: 274-3010, 274-3011  
Fax: 241-3193  
Toll-free to Oahu: 274-3141, ext. 61735

### **Maui**

State Office Building, Room 218  
54 S. High Street  
Wailuku, Hawaii 96793  
Phone: 984-8181, 984-8282  
Fax: 984-8183  
Toll-free to Oahu: 984-2400, ext.61735

### **Molokai/Lanai**

Toll-free to Oahu: 1-800-468-4644, ext. 61735

### **U.S. Mainland**

Toll-free to Oahu: 1-888-659-0708



**Employees' Retirement System**  
of the State of Hawaii



Employees' Retirement System  
City Financial Tower  
201 Merchant Street, Suite 1400  
Honolulu, Hawaii 96813-2980  
Phone: 586-1735 • Fax: 587-5766  
Website: [www4.hawaii.gov/ers](http://www4.hawaii.gov/ers)

This handout offers general information about pre-retirement issues. This is not a contract and does not amend, modify, override, or nullify any statute, rule, policy, procedure or document used in the retirement process. The rights and benefits that you are entitled to receive are governed by rules and statutes which may change.